A Local Government Units' Guide to the Purchase of Parallel Drug Imports from the Philippine International Trading Corporation

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A Local Government Unit's Guide to the Purchase of Parallel Drug Imports from the Philippine International Trading Corporation

INTRODUCTION

To improve the health status of a province, good quality, safe, and low-cost drugs must be available in the hospitals and RHUs. However, in the Philippines, good quality drugs are priced beyond the capability of the patients to pay for them. This situation is more inequitable when viewed against the fact that these same drugs are sold in other countries at prices several times lower than in the Philippines. One way to solve this problem is to import these drugs into the Philippines from a country where it is priced lower. This is called parallel importation and this is exactly what the Departments of Health and Trade and Industry have been doing.

Since the last quarter of 2000, they have sold these parallel drug imports (PDI) to about 40 DOH hospitals and to the hospitals of the province of Capiz. These hospitals are now offering quality, low-cost drugs to their patients. However, hospitals in many more provinces still do not have access to these PDIs.

This guide has been written to provide Local Government Units (LGUs) with step-by-step instructions on how to purchase PDIs for their own hospitals. It is hoped that with access to these good quality, low cost drugs, the provinces will be able to improve the health status of their people.

Definition

Parallel importation—Refers to the importation, without authorization of the patent holder, into a country of a product from a third country, where this product has been marketed by

the patent holder or in another legitimate manner. It is mainly used when the price in the third country is considerably lower than the price the patent holder charges in the country concerned.

What is the Philippine International Trading Corporation?

The Philippine International Trading Corporation (PITC), an attached agency of the Department of Trade and Industry (DTI), is the sole government-owned international trading company with extensive experience in the export and import of commodities, industrial products, and consumer goods. In line with its mandate to support the private business sector, the Corporation also makes full range of trade-related services available to clients at competitive rates.

As the trading arm of the government, PITC has been directed, when the situation warrants, to undertake bulk importation of certain commodities in order to stabilize prices and to ensure proper supply in the domestic market. The Corporation assists other government entities in undertaking procurement of their equipment, goods, supplies and services requirements, utilizing its network, facilities, and resources.

At present, the PITC is the sole entity, whether government or private, authorized by the DOH to conduct parallel importation of drugs.

Advantages of Procurement through PITC

1. **No need for bidding.** DOH does not have to go through the tedious bidding process. Under the Implementing Rules and Regulations of Executive Order No. 302, s. 1987, local government units are authorized to enter into a negotiated contract for the procurement of medicines when the purchase is to be made from another agency of the government.

It is the responsibility of PITC to conduct its own bidding and/or canvass from among possible suppliers in order to select the appropriate party who can provide prices and terms most advantageous to the government.

2. **Value for money.** The LGU will be charged competitive prices, reflecting only the actual reasonable costs of the specific drugs and medicines. PITC will ensure that no unnecessary middlemen, distribution, and other facilitation charges that other suppliers may have previously been passing on to the government, are assumed by the LGU.

   Budgetary allocations and funding will be maximized, as larger quantities may be purchased as a result of lower per unit prices.

3. **Reasonable payment terms.** The LGU will be able to avail of reasonable payment terms for its purchases. The LGU will not be required to pay in advance, as PITC is prepared to extend and/or negotiate credit of from 30 to 60 days from the date of delivery and acceptance. In addition, dollar payments are not required as PITC selling prices are quoted in Philippine pesos for a specified validity period.

4. **Quality.** The LGU will be assured of the quality of all drugs and medicines supplied by the PITC. Care will be taken that all such products (a) are sources only from reputable suppliers with the necessary cGMP/WHO certifications; (b) undergo the standard laboratory testing process of the BFAD; and (c) are properly registered before delivery to users. Inspection trips to the suppliers' facilities by qualified DOH and BFAD quality assurance inspectors can be arranged in order to ensure production standards are met and quality control processes instituted.

5. **Timely delivery.** The LGU will be assured of timely delivery of drugs and medicines. PITC will regularly monitor production and closely coordinate with the supplier to ensure delivery to the LGU in time for the projected distribution or program launching.

6. **Logistics and warehousing services.** The LGU does not have to contract third party logistics, warehousing, and delivery services as these are already provided by PITC.

In addition, PITC takes care of the customs clearance procedures, as well as of the documentation requirements, pertaining to importation.

7. **Government revenues.** PITC will ensure full declaration of duties, value-added, city and other taxes ensuring revenues to the government. PITC, in addition, pays out dividends to its mother company, reverting part of its revenues to the National Government.

How to Contact the PITC

The LGU, through the Provincial Health Officer (PHO), should contact the PITC to inform them of the LGU's intent to purchase PDI. The PITC can be contacted through:

Philippine International Trading Corporation (PITC)
Address: Philippines International Centre
46 Sen. Gil J. Puyat Avenue
1200 Makati City, Metro Manila
Tel. Nos.: (632) 845-4776; 845-4376 loc. 303
Fax Nos.: (632) 845-4473, 845-4476, 845-4363
Email: pitc@info.com.ph; pitcccin@info.com.ph
Contact Person: Cecilia S. Sison – Program Manager

Simultaneously, the PHO informs the Provincial General Services Office (PGSO) that they intend to purchase PDI from PITC and requests them to facilitate accreditation of PITC.

PITC Accreditation

PITC contacts the PGSO. The PGSO informs the PITC of the requirements for accreditation with the province as a drug supplier.

PITC submits the requirements. Documents usually include:

a. Mayor's or Business Permit
b. Articles of Incorporation, by-laws, or charter
c. Bureau of Internal Revenue (BIR) Income Tax Return
d. BIR VAT Certificate

e. Certificate of Withholding Agent
f. License to Operate
g. Certificate of Product Registration (CPR)

I. DRUG SELECTION

Step 1. The PHO requests the Therapeutic Committee (TC) of each hospital to submit a list of drug requirements and quantities based on the PITC Price List (Annex 1).

Step 2. The TC selects drugs from the PITC list. Each hospital TC estimates the annual quantities required for each drug using the Consumption Method (Annex 2). It then submits a quarterly Request and Issuance Voucher (RIV) to its Hospital Supply Officer (HSO). (Only the drugs that are on the PITC Price List can be purchased. Please note that the PITC prices are already inclusive of VAT and transport costs. However, additional freight costs may be added if special handling or delivery is required. In the future, PITC may add other drugs like vaccines and nutritional supplements, e.g., Vitamin A and iodized oil capsules.)

II. DRUG PROCUREMENT

Step 3. Based on the quarterly RIV, each HSO prepares and submits a Purchase Request (PR) to the PGSO.

Step 4. The PGSO consolidates the PR from the hospitals and prepares a Purchase Order. The PGSO faxes an advance copy of the PO to the PITC and sends a copy to the regional/provincial office of the Department of Trade and Industry (DTI).

Ordering. The PITC consolidates the orders of several LGUs before it places an order with its suppliers. As such, it needs a 3-month lead-time to process and deliver the POs of all LGUs who want to purchase PDIs. The following schedule should be followed in the submission of POs:

PROCUREMENT PERIOD (Quarter)	DATE WHEN DRUGS ARE NEEDED	DATE WHEN PITC SHOULD HAVE RECEIVED THE P.O.
1st	1 January	1 October (the previous year)
2nd	1 April	2 January
3rd	1 July	1 April
4th	1 October	1 July

Step 5. After receiving the PO, PITC consolidates the orders from all LGUs. PITC sends samples of the required drugs to the Bureau of Food and Drugs (BFAD) for testing.

Step 6. After testing, the BFAD releases the Certificate of Analysis (CA) to the PITC.

Step 7. PITC imports the products. This usually takes 15 days from the time PITC sends the PO to its suppliers.

Step 8. The imported drug products are received, cleared, and released by the Bureau of Customs (BOC) after 5 days.

Step 9. Upon release from the BOC, the PITC conducts physical counting, labels, and re-packs according to orders. The drug products are picked-up from the PITC warehouse by the freight forwarder together with the following documents:

a. Sales invoice
b. Delivery receipt (optional)
c. A copy of the CPR
d. A copy of the CA from BFAD

III. DRUG DISTRIBUTION

Step 10. Upon receipt, the PGSO inspects the drugs and the documents. It signs and returns the sales invoice and delivery receipt to the PITC by mail. The PHO is notified of the receipt of the drugs.

Step 11. The PHO prepares and signs the Disbursement Voucher (DV) and, together with other supporting documents, sends it to the Provincial Accounting Office (PAO).

Step 12. The PAO certifies that the DV are supported with receipts. The Provincial Treasurer's Office prepares and signs the check. The Provincial Governor's Office approves the DV and signs check. The check is mailed or sent by courier to the

PITC. Payment must be made within 30 days from the date of delivery by check payable to the 'Philippine International Trading Corporation'.

Step 13. PITC confirms receipt of payment and issues the official receipt. The OR is mailed to the LGU.

Step 14. The hospital supply officers collect monthly consumption data for the PDI and submit them to the PGSO.

Step 15. The PGSO sends this data to the PITC and to the Policy, Planning, and Advocacy Division (PPAD) of the BFAD on the last Friday of every month (See Annex 3 for PDI Inventory Form).

A summary of the above steps is shown in the flow chart in Annex 4.

POLICY AND LEGAL FRAMEWORK

The legal basis of parallel importation is embodied in both international agreements and national issuances:

A. TRIPS agreement
B. Amendment to the Rules and Regulations Implementing Republic Act (R.A.) No. 8203 otherwise known as "The Special Law on Counterfeit Drugs".
C. Administrative Order (A.O.) no. 23-A s. 2000 dated March 2, 2000 and A.O. no. 32 s. 2000 dated April 7, 2000 on the "Creation of the Joint DOH-DTI Task Force on Pharmaceutical Concerns'.
D. Memorandum from President Joseph E. Estrada to DOH and DTI dated April 26, 2000 on "Affordable and Accessible Life-Saving Medicines"
E. A.O. no. 85 s. 2000 dated July 14, 2000 on "Registration Requirements for a Government Agency Importing a Pharmaceutical Product with a Registered Counterpart Brand in the Philippines".
F. Presyong Tama, Gamot Pampamilya Program

The documents appear below.

TRIPS AGREEMENT

Section 3.4 Parallel Imports

Parallel importation refers to the importation, without authorization of the patent holder, into a country of a product from a third country, where this product has been marketed by the patent holder or in another legitimate manner. It is mainly used when the price in the third country is considerably lower than the price the patent holder charges in the country concerned. Parallel import is allowed under the TRIPs Agreement; in fact, TRIPs explicitly states that it does not address the issue of parallel import, thereby, leaving countries free to determine their own policy in this respect.

At times, it is being argued that allowing parallel import in developing countries will result in an increase in counterfeit and/or substandard products in the market and will therefore have a negative impact on consumers. This is speculation. However the benefits are quite clear and there is a strong economic rationale for developing countries to adopt parallel import.

A market where price discrimination is common, such as the pharmaceutical market where prices for the same product can vary considerably between countries, will fundamentally change if parallel import is allowed. The multinational pharmaceutical industry argues that parallel import will prevent preferential prices for developing countries. To the extent that developing countries do indeed benefit from preferential prices, this could be true. The drug companies' worries are understandable since, obviously, revenues would come under pressure if 'high-price markets' such as the US would start parallel importation of cheaper drugs from, for instance, Canada. If this were to happen (in fact, currently there is considerable support in the US for allowing parallel import of drugs from Canada), companies would be tempted to react by harmonizing their prices across borders. The solution however seems to be to prevent parallel importation in industrialized countries, instead of putting pressure on developing countries in this respect.

It is worth noting that the US legislation on IPR allows parallel importation; however, in the US, parallel import of medicines is forbidden by regulations related to Food and Drug Control.

Source: ***The TRIPS Agreement and Pharmaceuticals****, Report of an Asean Workshop on the TRIPs Agreement and its Impact on Pharmaceuticals, Jakarta, 2-4 May 2000, p. 33*

AMENDMENT TO THE RULES AND REGULATIONS IMPLEMENTING REPUBLIC ACT (R.A.) NO. 8203 OTHERWISE KNOWN AS "THE SPECIAL LAW ON COUNTERFEIT DRUGS".

REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF HEALTH
BUREAU OF FOOD AND DRUGS
Filinvest Corporate City
Alabang, Muntinlupa City

MALAYA AT MALUSOG NA PAMAYANAN

AMENDMENT TO THE RULES AND REGULATIONS IMPLEMENTING REPUBLIC ACT NO. 8203 OTHERWISE KNOWN AS THE "SPECIAL LAW ON COUNTERFEIT DRUGS"

WHEREAS, the Bureau of Food and Drugs promulgated on November 19, 1996 the rules and regulations implementing Republic Act No. 8203 otherwise known as the "Special Law on Counterfeit Drugs";

WHEREAS, a perusal of paragraph (h) Section 3 Rule I of said rules shows that the definition of counterfeit drugs/medicines provided therein contradicts the provisions of R.A. 8203;

WHEREFORE, after a series of consultations conducted by the Department of Health with various sectors and in order to conform with the provisions of R.A. 8203, paragraph (h) Section 3 Rule I is hereby amended and shall now read, as follows:

(h) "Unregistered imported drug product" as distinguished from counterfeit drug defined under Section 3 of R.A. 8203, shall refer to unregistered imported drug product without a registered counterpart brand in the Philippines.

This Amendment shall take effect thirty (30) days after its publication in two (2) newspapers of general circulation.

31 January 2000.

WILLIAM D. TORRES, Ph..D.
Director

APPROVED:

ALBERTO G. ROMUALDEZ, JR., M.D.
Secretary of Health

CERTIFIED TRUE COPY:

LAMBERTA G. MANUEL
CHIEF RECORDS SECTION
DOH - MANILA

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ADMINISTRATIVE ORDER (A.O.) NO. 23-A S. 2000 DATED MARCH 2, 2000

Republic of the Philippines

March 02, 2000

Joint DOH-DTI
ADMINISTRATIVE ORDER
No. 23-A s. 2000

CERTIFIED TRUE COPY.

CARERTA G. MANUEL
OF. RECORDS SECTION

SUBJECT: **Creation of Joint DOH-DTI Task Force on Pharmaceutical Concerns**

The Philippines has been known as one of the countries with the highest drug prices in the Asian region. This hampers the government's efforts to make pharmaceutical products more affordable and accessible to Filipinos especially those who belong to the marginalized sector of society.

To address this issue, the Secretary of Health and the Secretary of Trade and Industry hereby constitute a Task Force on Pharmaceutical Concerns, composed of representatives from both Departments.

The Task Force is mandated to study issues on pharmaceutical concerns, inclusive but not limited to: drug prices, pharmaceutical industry structure, operations, manufacturing, and marketing practices, local and international legal and trade issues, and recommend courses of action to the Secretaries of both agencies.

The Task Force shall be composed of the following:

1.	Dr. Kenneth Y. Hartigan-Go	-	Program Manager, PNDPP Deputy Director, BFAD
2.	Dr. John Q. Wong	-	Consultant, PNDPP
3.	Mr. Mike Gomez	-	Consultant, PNDPP
4.	Dr. Benito F. Arca	-	Chief, San Lazaro Hospital
5.	Ms. Ma. Teresa Arao-Mahiwo	-	Director, BTRCP
6.	Mr. Antonio Buencamino	-	Senior Trade Representative, Foreign Trade Service Corps, DTI
7.	Ms. Gia Marie Andres	-	Director, Consumer Manufacture Department, DTI
8.	Ms. Toby Melissa Monsod	-	Chief of Staff, OSEC-DTI

Under this Order, members of the Task Force shall be provided access to pertinent legal documents. All transportation and other allowable expenses incurred in connection with the discharge of functions and responsibilities of the Task Force are hereby authorized, chargeable against the funds of the DOH-PNDPP / DTI-OSEC subject to the usual accounting and auditing rules and regulations.

This order shall take effect immediately upon approval.

CERTIFIED TRUE COPY:

ALBERTO G. ROMUALDEZ, JR., MD
Secretary of Health

MANUEL A. ROXAS II
Secretary of Trade and Industry

C:/my documents/panelo/AdminDep orders/taskforce-ao.doc

A.O. NO. 32 S. 2000 DATED APRIL 7, 2000.

Republic of the Philippines

April 07, 2000

Joint DOH-DTI
ADMINISTRATIVE ORDER
No. 32 s. 2000

SUBJECT: Amendment of Joint DOH-DTI Administrative No. 23-A s. 2000 dated 02 March 2000 regarding the Creation of Joint DOH-DTI Task Force on Pharmaceutical Concerns

The composition of the membership of said Task Force as reflected in Joint DOH-DTI Administrative Order No. 23-A s. 2000, is hereby amended as follows:

In Joint DOH-DTI A.O. No. 23-A s. 2000	Amendment (Replaced by:)
No. 5 – Ms. Ma. Teresa Arao-Mahiwo, Director, BTRCP	Ms. Zenaida Cuison-Maglaya – Asst. Secretary, DTI
No. 6 – Mr. Antonio Buencamino – Senior Trade Representative, Foreign Trade Service Corps, DTI	Atty. Sylvia Veloso – Executive Director, PITC-DTI
No. 8 – Ms. Toby Melissa Monsod – Chief of Staff, OSEC, DTI	Ms. Erma Barrameda – OSEC, DTI

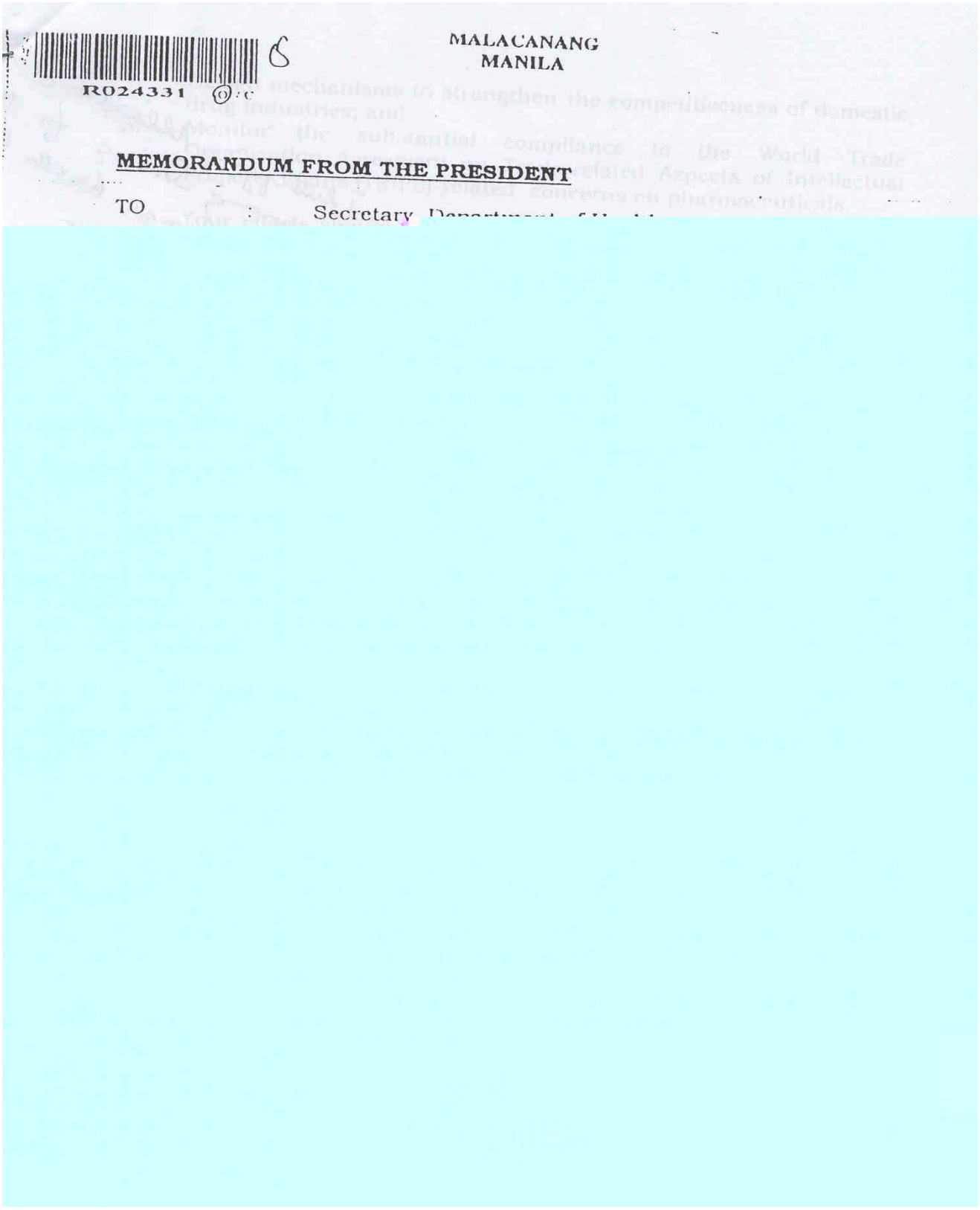
Other members of the Task Force as stated in the previous joint A.O., who have not been affected by this amendment, as well as all other stipulations so stated in previous A.O. No. 23-A, shall still remain in force until otherwise revoked.

ALBERTO G. ROMUALDEZ, JR., MD
Secretary of Health

MANUEL A. ROXAS II
Secretary of Trade and Industry

Signed AO Received in the Records Section on 5/x/2000

MEMORANDUM FROM PRESIDENT JOSEPH E. ESTRADA TO DOH AND DTI DATED APRIL 26, 2000



MALACANANG
MANILA

R024331

MEMORANDUM FROM THE PRESIDENT

TO : Secretary

4. Design mechanisms to strengthen the competitiveness of domestic drug industries; and
5. Monitor the substantial compliance to the World Trade Organization Agreement on Trade-related Aspects of Intellectual Property Rights (TRIPS)-related concerns on pharmaceuticals.

Your efforts should also include making an appeal to the private stakeholders for good corporate citizenship, in terms of ensuring the safety, quality, efficacy, accessibility, and affordability of their products.

Submit monthly reports to the President, through the Executive Secretary, beginning on 31 May 2000.

JOSEPH EJERCITO ESTRADA

PJEE Hologram #16982

A.O. NO. 85 S. 2000 DATED JULY 14, 2000

Republic of the Philippines
Department of Health
OFFICE FOR STANDARDS AND REGULATION
SAN LAZARO COMPOUND
RIZA AVENUE, STA. CRUZ,
MANILA, PHILIPPINES

14 July 2000

ADMINISTRATIVE ORDER
No. 85 s. 2000

SUBJECT: **REGISTRATION REQUIREMENTS FOR A GOVERNMENT AGENCY IMPORTING A PHARMACEUTICAL PRODUCT WITH A REGISTERED COUNTERPART BRAND IN THE PHILIPPINES**

I. RATIONALE:

The Philippines has one of the highest drug prices in the ASEAN region (J. Lim Study, 1997, DOH-DTI Comparative Drug Price Survey in ASEAN countries, 1999). For this reason, President Joseph Ejercito Estrada has signed a memorandum last 26 April 2000 directing the Departments of Health and the Trade and Industry to intensify their efforts in making essential and life-saving medicines affordable and accessible to the public, especially to the poorer segments of the society.

A key strategy to lower drug prices is the importation of finished drug products from other countries where these are cheaper than in the Philippines. One component of this strategy is the parallel importation scheme where a similarly branded product that is cheaper in other countries will be imported and introduced in the local market. These imported products will be registered in the Bureau of Food and Drugs (BFAD) before these are sold to the public.

In view of this, the following registration requirements for a government agency importing a pharmaceutical product with a registered counterpart brand in the Philippines are hereby prescribed:

II. GENERAL REQUIREMENTS:

1. Application Letter

The application/covering letter shall provide the following information:

a. Generic name and Brand name of the product
b. Dosage strength and dosage form
c. Complete names and addresses of the manufacturer of the product and distributor-importer

Signed [illegible] Received in the Records Section on 7/31/2000

2. A copy of a valid License to Operate as Drug Distributor-Importer reflecting the source or country of origin of the product and the list of products to be imported.

Only distributor-importers that are government agencies and are authorized by BFAD shall be allowed to import and register pharmaceutical products with a registered counterpart brand in the Philippines.

3. Proof that the exporter has a business relationship with the manufacturer or authorized distributor. Such proof may consist of official receipts, sales invoices, distributorship agreements, or other similar documents.

4. Official receipts and/or sales invoices establishing that the delivered pharmaceutical products were sourced from a distributor licensed by the manufacturer in the country of origin to sell its products. These official receipts and/or sales invoices shall identify the batch/lot number and the expiry dates.

5. Specimens of the proposed label and other labeling materials such as inserts, brochures, etc. to be used for the imported product shall be exempted from the generic labeling requirements. If not already present on the immediate label and box, the following shall be printed or shall appear on a stick-on label: the phrase, "Imported by (name of government agency)", the suggested retail price of the product, and other labeling requirements.

6. Samples submitted to BFAD shall be in market or commercial presentation and shall be sufficient for use in assessing the product's conformity with the given test specifications plus sufficient retention sample for future reference.

7. Full laboratory testing by BFAD of every batch/lot number of product per importation.

III. EFFECTIVITY:

This Order shall take effect fifteen (15) days from the date of its publication in two (2) newspapers of general circulation.

ALBERTO G. ROMUALDEZ, JR., MD
Secretary of Health

PRESYONG TAMA, GAMOT PAMPAMILYA PROGRAM

Attachment J

Mario na! Dekalidad na gamot sa presyong tama

Comparative Drug Price List

Generic Name/Brand Name	Retail Price (Prescribing Doctor)	Retail Price (DOH Hospital)	Price Difference (P)	% Price Savings (Discount)
	A	B	C	D
1. Salbutamol (Ventolin®) 100mcg/dose x 200 doses inhaler with mouthpiece	258.75	168.61	90.14	34.84%
2. Cotrimoxazole (Bactrim®) 400 mg + 80 mg / 5ml suspension, 60 ml bottle	34.50	4.75	29.75	86.23%
3. Co-Amoxiclav (Augmentin®) 375mg tablet	62.50	59.37	3.13	5.00%
4. Co-Amoxiclav (Augmentin®) 625mg tablet	84.00	74.69	10.31	12.27%
5. Salbutamol (Ventolin®) 2.5mg tablet	4.00	1.21	2.79	69.75%
6. Salbutamol (Ventolin®) 5mg tablet	7.75	2.00	5.75	74.19%
7. Nifedipine (Adalat®) 20mg capsule	25.25	4.84	20.41	80.83%

Mabibili ito sa mga ospital ng DOH

Metro Manila
Jose R. Reyes Memorial Medical Center
Rizal Ave., St. Sta. Cruz, Manila

Phil. Children's Medical Center
Quezon Ave., Quezon City

Rizal Medical Center, Pasig City

East Ave. Medical Center
East Avenue, Quezon City

Iloilo
Western Visayas Medical Center
Mandurriao, Iloilo City

Davao
Davao Regional Hospital
Tagum City

Davao Medical Center
Davao City

Dalhin ang reseta sa pagbili ng gamot

Hanapin and DOH at DTI seal upang makasigurong gerantisado ang gamot

Para sa karagdagang impormasyon tumawag sa:

Policy Planning & Advocacy Div., BFAD-DOH
Tel. 326-23-50, 743-10-01 loc. 2205/2207
Bureau of Trade Regulation and Consumer Protection, DTI
Tel. 896-49-43
Philippine International Trading Corporation, DTI
Tel. 8454375

A joint project of the Department of Health and Department of Trade and Industry

ANNEX

Annex 1: List of Drugs Supplied by the PITC

Comparative Drug Prices of
Parallel Drug Imports vs. Local Branded Counterparts

Generic/Brand Name	Price of Local Branded Counterparts in Private Drug Outlets A	Price of Parallel Drug Imports in the 7 DOH Hospitals B	Price Difference (A-B) C	% Savings (C/B) x 100% D
1. Salbutamol (Ventolin/Ventorlin) 100 mcg/dose x 200 doses MDI	294.75	197.60	97.15	49.16%
2. Beclomethasone (Becloforte/Becoride) 250 mcg inhaler	831.00	532.50	298.50	56.06%
3. Atenolol (Tenormin) 50 mg tablet	17.75	9.05	8.70	96.13%
4. Cotrimoxazole (Bactrim) 800 mg SMZ + 160 mg TMP tablet	24.10	5.10	19.00	372.55%
5. Cotrimoxazole (Bactrim) 400 mg SMZ + 80 mg TMP tablet	13.50	2.80	10.70	382.14%
6. Cotrimoxazole (Septrin/Septran) 200 mg SMZ + 40 mg TMP/5 ml susp. 50 ml bot.	82.68**	67.60	15.08	22.31%
7. Glibenclamide (Daonil) 5 mg tablet	7.75	3.10	4.65	150.00%
8. Nifedipine (Adalat Retard) 20 mg capsule	34.15	5.75	28.40	493.91%

*Cotrimoxazole (Septran) 200 mg SMZ + 40 mg TMP/5 ml susp. 50 ml bottle will be available in the participating DOH hospitals on April 2001

**Septrin suspension in private drug outlets is available in 30 ml, 70 ml, and 100 ml bottles. The 70 ml bottle costs Php 115.75. If it is converted to the price equivalent to a 50 ml bottle, this will cost Php 82.68.

Comparative Prices of Drugs in India vs. Philippines

Therapeutic Category	Generic Name / DOSE / Strength	BRAND NAME		MANUFACTURER		CIMS/MIMS PRICE		
		India	***Philippines***	***India***	***Philippines***	***India***	***Philippines***	***% Change***
Gastrointestinal Drug Anticholiergics	Hyoscine Butyl Bromide 10 mg tablet	Buscopan	Buscopan	German	Boeringher Ingelheim	1.80	7.35	308.33%
Gastrointestinal Drug/ Laxatives/Cathartics	Bisacodyl 5 mg tablet	Dulcolax	Dulcolax	German Remedies	Boeringher Ingelheim	0.79	5.54	601.27%
Gastrointestinal Drug/ Antimotility	Loperamide 2 mg capsule	Imodium	Imodium	Ethnor	Janssen	0.92	7.70	736.96%
Cardiovascular Drug/ Anti-anginal Drugs	Atenolol 50mg tablet	Tenormin	Tenormin	ICI	Astra Zeneca	2.18	16.89	674.77%
	Diltiazem 30 mg tablet	Ionozem	Dilzem	Parke-Davies	Parke-Davies	2.16	20.39	843.98%
	Diltiazem 60 mg tablet	Ionozem	Dilzem	Parke-Davies	Parke-Davies	4.18	28.67	585.89%
Cardiovascular Drugs/ Anti-anginal drugs	Nifedipine 20 mg tablet	Adalat Retard	Adalat Retard	Bayer	Bayer	1.24	30.90	2,391.94%
Anticonvulsants	Phenytoin 100 mg capsule	Dilantin	Dilantin	Parke-Davies	Parke-Davies	0.97	15.66	1,514.43%
Anti-Asthma	Beclometasone 250 mcg x 200 doses inhaler	Beoride Forte	Becloforte	Glaxo Allenburys	Glaxo Wellcome	362.95	748.00	106.09%
Anti-Asthma	Salbutamol 100 mcg/dose x 200 doses inhaler	Ventorlin	Ventolin	Glaxo-Allenburys	Glaxo-Wellcome	(Price not available in CIMS)	280.00	-
Anti-diabetes	Glibenclamide 5 mg tablet	Daonil	Daonil	Hoecht Marion Roussel	Hoecht Marion Roussel	0.49	7.00	1,328.57%
	Gilbenclamide	Euglucon	Euglucon	Boeringher	Roche	0.40	8.64	2,060.00%

Therapeutic Category	Generic Name / DOSE / Strength	BRAND NAME		MANUFACTURER		CIMS/MIMS PRICE		
		India	*Philippines*	*India*	*Philippines*	*India*	*Philippines*	*% Change*
	5 mg tablet			Mannheim				
Oxytocics (uterine stimulants)	Methylergometrine 125 mcg tablet	Methergin	Methergin	Novartis	Novartis Healthcare	4.03	15.75	290.82%
Antibacterials	Cefotaxime 1 g vial	Claforan	Claforan	Hoecht Marion Roussel	Roussel	87.85	756.50	761.13%
Antibacterials	Cefuroxime 250 mg tablet	Supacef	Zinacef	Glaxo Allenburys	Glaxo Wellcome	37.85	64.00	69.09%
Antibacterials	Clindamyclin 150 mg capsule	Dalacin C	Dalacin C	Max	Pharmacia and Upjohn	10.37	27.81	168.18%
Antibacterials	Cotrimoxazole 800 mg (SMZ) + 160 mg (TMP) tab	Bactrim	Bactrim	Piramal Healthcare	Roche	1.62	22.88	1,312.35%
	Cotrimoxazole 400 mg (SMZ) + 80 mg (TMP) tab	Bactrim	Bactrim	Piramal Healthcare	Roche	0.90	12.85	1,327.78%
	Cotrimoxazole 200 mg (SMZ) + 40 mg (TMP) tab	Septran	Septrin	Burroughs Wellcome	Glaxo Wellcome	16.02	180.00	1,023.60%
Antivirals	Acyclovir 200 mg tablet	Zovirax	Zovirax	Burroughs Wellcome	Glaxo Wellcome	15.92	66.16	315.58%
Antihistamine	Promethazine 10 mg tablet	Phenergan	Phenergan	Patriot	Rhone Phoulenc	0.47	(price not available in MIMS)	-
	Promethazine 25 mg tablet	Phenergan	Phenergan	Patriot	Rhone Phoulenc	0.73	(price not available in MIMS)	-
Anti-cancer	Tamoxifen 10 mg tablet	Nolvadex	Nolvadex	ICI	Astra Zeneca	19.74	30.24	53.19%

Therapeutic Category	**Generic Name / DOSE / Strength**	**BRAND NAME**		**MANUFACTURER**		**CIMS/MIMS PRICE**		
		India	***Philippines***	***India***	***Philippines***	***India***	***Philippines***	***% Change***

Sources:

1. Price:
   - CIMS India – April to June 2000
   - MIMS Philippines – Volume 30, Number 1, 2001

2. Foreign Exchange Rate to One (1) US Dollar as of 01 March 2001
   - Indian Rupee = 46.545 – www.hindubusiness.com
   - Phil. Peso = 48.286 – www.nscb.gov.ph/pesodollar.htm

Annex 2: Consumption Method

Step 1. Prepare a list of drugs to be quantified (See sample table 2)

Step 2. Determine the period of time to be reviewed for consumption

Step 3. Enter consumption data for each drug.

For each drug:

i. Enter the total quantity (C_T) used during the review period (R_M) in basic units;
ii. Enter the number of days in the review period that the drug was out of stock—(D_{OS}). If it is impossible to determine the number of days out of stock with accuracy, the estimated number of months out of stock during the period can be entered.
iii. The lead time for the last procurement (or the average from the last several procurements)

Step 4. Calculate the average monthly consumption ($\mathbf{C_A}$) using either of the two methods:

Recommended method: $\mathbf{C_A = C_T \div [R_M - (D_{OS} \div 30.5)}$

1. Enter the total consumption (C_T) and divide this by the number of months in the review period (R_M) minus (the total number of days out of stock in the same period divided by 30.5 to convert to months ($D_{OS} \div 30.5$)). *(Refer to formula 1 in Table 1)*

Alternative method: $\mathbf{C_A = C_T \div (R_M - M_{OS})}$

1. This is the simpler but less precise method using the estimate number of months out of stock for adjusting consumption, omitting the step of converting days to months. *(Refer to formula 2 in Table 1)*

Step 5. Calculate the safety stock needed for each drug: $\mathbf{SS = C_A \times LT}$

1. The average monthly consumption from Step 4 (C_A) is multiplied by the average lead-time for procurement (LT=in months). *(Refer to formula 3 in Table 1)*

Step 6. Calculate the quantity of each drug required in the next procurement period (quantity to order): $\mathbf{Q_O = C_A \times (LT + PP) + SS - (S_1 + S_O)}$
(Refer to formula 4 in Table 1).

1. The average monthly consumption (C_A) is multiplied by the sum of the lead-time (LT) and the procurement period (PP = number of months to be covered by the order).
2. Add the quantity needed for safety stock (SS)
3. Subtract the sum of the quantity of stock on hand and the stock on order ($S_1 + S_O$ [if there are any])

Step 7. Adjust for expected changes in consumption pattern by multiplying the quantity to order with a certain percentage, if necessary. (Q_a)

Step 8. Adjust for losses by further multiplying the estimated value in step 7, if necessary. (Q_a)

Step 9. Compile quantifications from all hospitals.

Step 10. Estimate costs for each drug and get total of the costs

Step 11. Compare total costs with the budget and make adjustments.

Table 1. Summary of Formula

Consumption-Based Computations		
Formula Number	Objectives of Formula	Calculations
1	Adjusted average monthly consumption (preferred)	$C_A = C_T \div [R_M - (D_{OS} \div 30.5)$
2	Adjusted average monthly consumption (alternative)	$C_A = C_T \div (R_M - M_{OS})$
3	Basic safety stock requirements	$SS = C_A \times LT$
4	Quantity to order	$Q_O = C_A \times (LT + PP) + SS - (S_1 + S_O)$

Where:

C_A = Average monthly consumption, adjusted for stockouts

C_T = Total consumption during review period, in basic units

D_{OS} = Number of days an item was out of stock during the review period

LT = Average lead time (for projected supplier or worst case), in months

M_{OS} = Estimated number of months an item was out of stock during the review period

PP = Procurement period (number of months to be covered by order)

Q_O = Quantity to order in basic units, before adjustments for losses or program change

R_M = Review period in months minus the number of months of data reviewed for forecasting

S_I = Stock now in inventory, in basic units

S_O = Stock now on order, in basic units

SS = Quantity needed for safety stock

Table 2. Consumption-Based Forecast for Drug Requirements

Drug	Strength	Basic Unit (BU)	Pack Size	Total Consumption in Period (C_T)	Days out of stock (D_{OS})	Adjusted Average Monthly Consumption (C_A)	Stock on Hand (S_1)	Stock on Order (S_0)	Safety Stock Level (SS)	Suggested Quantity to Order (Q_O)	Adjusted Order Quantity (Q_a)	Order Quantity (packs)	Probable Pack Price (Php)	Value of Proposed Order (Php)
Drug A														
Drug B														

Annex 3: Monthly Inventory Report of Parallel Imported Drugs and Medicines

Republic of the Philippines

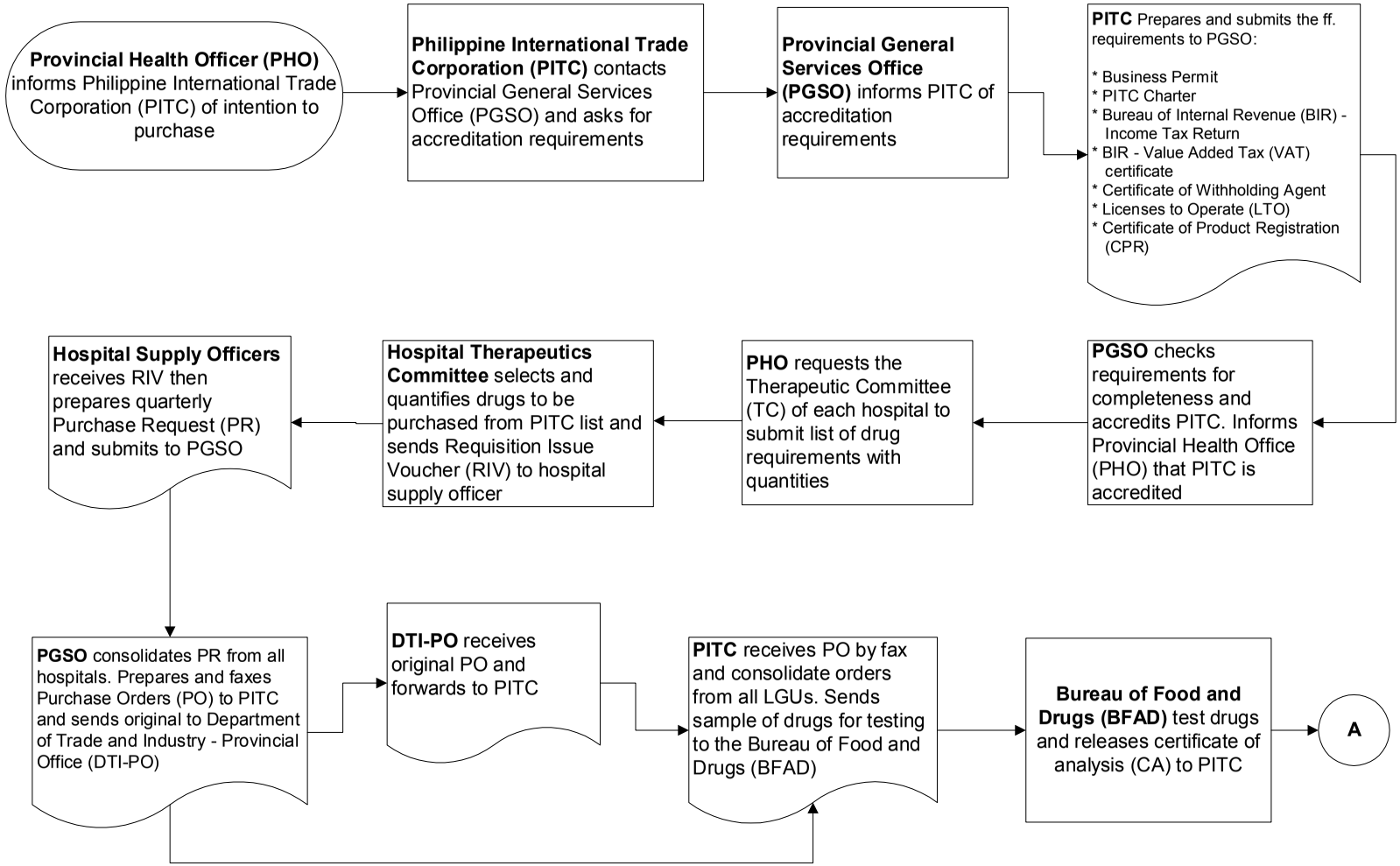
Name of Hospital: _____ Province: _____

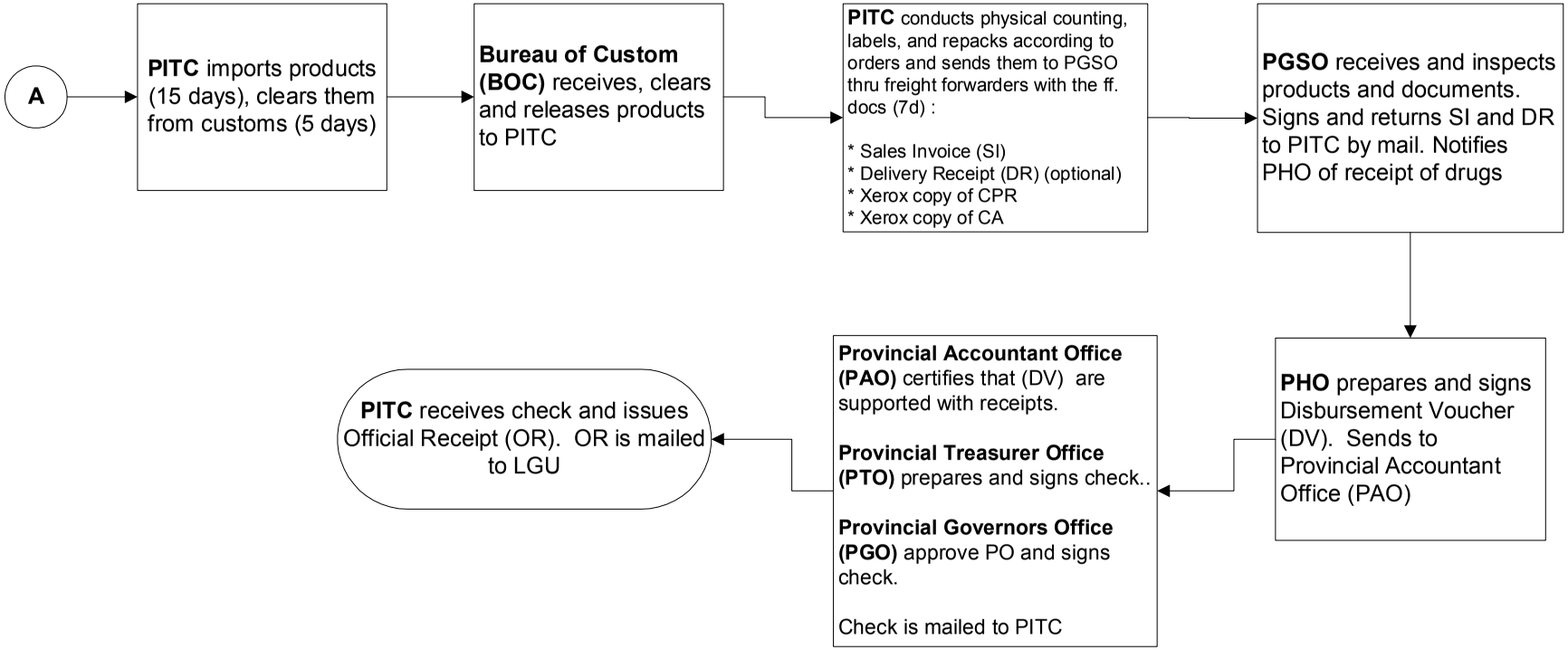
MONTHLY INVENTORY REPORT OF PARALLEL IMPORTED DRUGS AND MEDICINES

For the period of _____ to _____2001

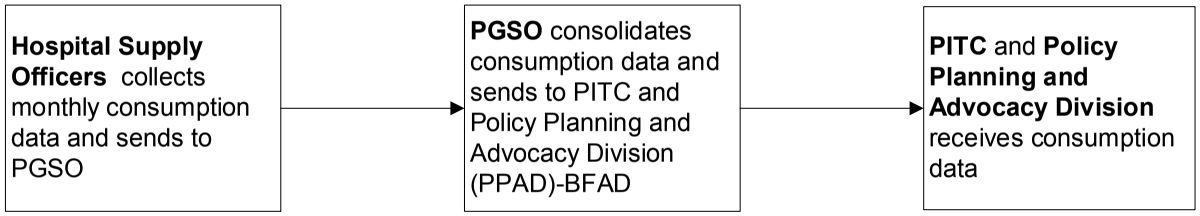
Name of Drugs/Dose/Strength	Received During the Month			Issuance			Ending Balance		
	No. of Units	Unit Price	Total Cost	No. of Units	Unit Cost	Total Cost	No. of Units	Unit Cost	Total Cost
1	2	3	4	5	6	7	8	9	10
1.									
2.									
3.									
4.									
5.									
6.									
7.									
8.									
9.									

ANNEX 4. FLOW CHART OF THE PROCEDURE FOR LGUS TO PURCHASE PDI FROM THE PITC




A
PITC imports products (15 days), clears them from customs (5 days)
Bureau of Custom (BOC) receives, clears and releases products to PITC
PITC conducts physical counting, labels, and repacks according to orders and sends them to PGSO thru freight forwarders with the ff. docs (7d) :
* Sales Invoice (SI)
* Delivery Receipt (DR) (optional)
* Xerox copy of CPR
* Xerox copy of CA
PGSO receives and inspects products and documents. Signs and returns SI and DR to PITC by mail. Notifies PHO of receipt of drugs
PHO prepares and signs Disbursement Voucher (DV). Sends to Provincial Accountant Office (PAO)
Provincial Accountant Office (PAO) certifies that (DV) are supported with receipts.
Provincial Treasurer Office (PTO) prepares and signs check..
Provincial Governors Office (PGO) approve PO and signs check.
Check is mailed to PITC
PITC receives check and issues Official Receipt (OR). OR is mailed to LGU

MONITORING


Hospital Supply Officers collects monthly consumption data and sends to PGSO
PGSO consolidates consumption data and sends to PITC and Policy Planning and Advocacy Division (PPAD)-BFAD
PITC and **Policy Planning and Advocacy Division** receives consumption data